

# STILL THE CENTURY OF GOVERNMENT? NO SIGNS OF GOVERNANCE YET!

Kurt Klaudi Klausen

## ABSTRACT

*The fiscal crisis has led to recentralization, reorganization and innovation. These endeavours can better be understood as acts of government than as governance. The hegemonic position of New Public Governance is questioned from four reference points: (1) reform policies of the Danish state under three consecutive governments since the turn of the century; (2) the fate of a public policy manifesto by 30 Danish researchers (3) research that looked in vain for politicians who identify with and act in accordance with ideals of governance; and (4) the deliberate strategic efforts made by local authorities to achieve strategic design fit and to push forward the innovation agenda from the top down. As far as signs of New Public Governance, the Danish case should be of particular interest because of Denmark's history of corporatism and consensus-oriented democracy, a highly decentralized welfare state and the high level of trust among citizens and at the workplace.*

**Keywords** – Governance, Government, Innovation, Local Government, Reorganization, Strategic Design Fit, Trust

## INTRODUCTION

In the quest to find and develop a concept that can replace New Public Management (NPM, Hood 1991), a number of new modernization concepts have been launched. But are they better at explaining the modernization programmes and public sector behaviour of our time than NPM, which has had a hegemonic status since the early 1980s? We may speak of hegemony as Antonio Gramsci did in his prison notebooks (Gramsci 1926-35) when a particularly internally consistent concept of reform thinking becomes intellectually and culturally dominant to an extent where it is almost indisputable.

Some talk about the post-NPM era (Christensen and Lægreid eds. 2011, Christensen 2010), others about Digital Era Governance (Dunleavy et al. 2010) and the Neo-Weberian State (Politt and Bouckaert 2011). However, there are many indications that the concept of New Public Governance (NPG) is the new hegemonic political science interpretation of what is going on in the public sector. The governance perspective in

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**Corresponding Author:** kkk@sam.sdu.dk

political science has been advocated by prominent researchers such as Bob Jessop, Jan Kooiman, Walter Kickert, Guy Peters, Richard Rhodes (1997) and Jon Pierre since the mid 1990s. In the announcement of a New Public Governance workshop in 2013 Stephen Osborne stated that: “The conceptual framework of the New Public Governance (NPG) has been gaining considerable ground across the world since first being articulated in 2008 (Larsen 2008, Osborne 2008). The publication of ‘The New Public Governance?’ (Osborne 2010) gave this framework substance as a theoretical and empirical reality, as a way to understand the production and delivery of public services in a fragmented and pluralist society. Since then, research about the NPG has been increasing. Writers such as Victor Pestoff, Jacob Torfing, Gary Larsen, Taco Brandsen, Stephen Osborne, Zoe Radnor and Bram Verschuere have used it to explore the realities of contemporary public services delivery.

Despite the founding fathers’ reservation that NPG is not to be considered a new reform regime or reform paradigm (Osborne ed. 2010: 2), it does, in Osborne’s own words, better capture the contemporary complex reality of the design, delivery and management of public services.

Rooted in institutional theory and network theory, and viewing organizations as open, natural systems, NPG can be viewed, at a minimum, as a theory to study the public sector. I, however, wonder, to which extent NPG is an appropriate diagnosis of what is going on in the public sector throughout the world, or if it is more of a sympathetic ideal of and normative guideline for a pluralist state. I find that the NPG interpretation is challenged by actual facts and put to a critical test by government reactions to the recent fiscal crisis.

The Danish case should be particularly suitable for testing the theory and hypotheses of NPG because of three features: the consensus-oriented political culture and corporatist state, the highly decentralized welfare state and the high level of trust throughout society. First, foreign observers often characterize the Danish system as a model of consensus-oriented political decision making in which major political decisions are negotiated results that are backed up by the opposition, and where interest organizations are routinely included in all legislative drafting and policy making (Erikson et al. eds. 1987, Klausen and Selle 1996). Second, in international comparisons the Danish welfare state is characterized by a high level of decentralization of authority and autonomy to regional and local governments which have their own elected politicians, tax their citizens and provide welfare services through their own institutions. An average Danish municipality has approximately 6000 employees and a budget of DKK 4 billion (half a billion Euro). Similarly, the Danish regions have traditionally been entrusted with local authority so that their elected politicians can make decisions regarding their budgets of some DKK 30 billion on average (3.5 billion Euro) and some 30,000 employees. Third, international surveys show that Denmark is a society with a high level of general trust, i.e. trust in strangers and trust in public agencies (Eurobarometer, World Happiness Report, Gundelach 2011, Tinggaard Svendsen 2012), with high social capital due to its many voluntary associations (Putnam 1993), and a workplace culture with a remarkably low “power distance” in relation to authority, e.g. employees are willing to express disagreement

with their managers (Hofstede 1980: 76, 316, Mouritzen and Svava 2002). These characteristics should make Denmark one of the best places to introduce NPG reforms.

However, I do not recognize NPG in the developments in my own research field, the Danish public sector, notably in the developments in regions and municipalities. Quite to the contrary, it seems that the appropriate interpretation of central government reforms in Denmark, policies of local government in regions and municipalities, and the implementation of these reforms and policies by executives in the administrative systems is that they are very government-like. This interpretation is closer to Pollit and Bouckaert's concept of the neo-Weberian state than to NPG. I am not proposing a new concept, but I simply question NPG and argue that the appropriate wording is government – not governance.

If the concept and ideal of governance is characterized by high trust, networks, decentralization and bottom up processes, the classic concept of government characterized by hierarchies, centralized decision making and top down implementation seems an appropriate counter concept. To the extent that government is combined with NPM, low trust also becomes an important feature. In the western world, governments were created and institutionalized over the past three centuries as a vital part of nation building (Tilly ed. 1973), with the intention of steering and managing huge entities in unitary states from the centre to the periphery, exercising legitimate state power. The strategic behaviour in these endeavours has historically been top down decision making and hierarchical implementation. Yet, in recent times, that is throughout the 20th century, most western countries have granted lower levels of government a certain autonomy, creating equally legitimate claims of central state government and local governmental autonomy (*vis-à-vis* the state) (Page and Goldsmith 1987). This is not in itself a break with the tradition of government, though. Also lower levels of government practice hierarchical and bureaucratic steering and management in a quest for control, efficiency and accountability. A critical example would be the implementation of the idea of innovation, since one would expect that innovation could only thrive from the bottom up. By innovation is meant any new measure that is implemented and improves the use of resources. I shall argue that since my research has uncovered no signs of governance yet, this seems still to be the century of government.

We can define government as follows: Government in democracies is authoritative decision making by elected politicians at state, regional and local governmental level implemented top down administratively through strategic priorities and hierarchical leadership systems anchored in bureaucratic routines and procedures.

### **THE EVIDENCE: STILL THE CENTURY OF GOVERNMENT?**

Three consecutive governments all made public sector reforms that created huge public agencies through mergers, and they all broke with the ideal of consensus democracy and enforced central governmental rule in line with NPM: the Liberal-led governments of Anders Fogh Rasmussen (2001-2009), and Lars Løkke Rasmussen (2009-2011) and the Social Democratic-led government of Helle Thorning Smith (2011-). From the turn of the century we have witnessed how the government has forced public agencies to merge

into larger entities: The counties became regions, the smaller municipalities merged into larger ones, minor hospitals became super-hospitals, the armed forces became a united command etc. In education everything from public schools to universities have been forced into mergers.

This is done alongside public sector reforms that stress the intention of central steering and control. The most recent example, number 9, 2014 of *Mandag Morgen*, the leading weekly magazine with analyses of Danish society, reported harsh criticism by all 98 local government CEOs that state control measures had gone too far. The evaluation stated that the present government was going too far in its endeavours to steer and control local government through bureaucratic arrangements such as budget control, performance measurement and detailed regulations in almost every aspect of local government welfare provision.

If we look at Danish state reform policies from the beginning of this century and onwards, all major reforms can be characterized by state and government 'besserwissen' and top down thinking. The most important and all-encompassing reform, the so-called Structural Reform came to life in 2004, but not after traditional political negotiations and compromises between government and opposition. It was decided by the government in splendid isolation without the inclusion of the political opposition and without taking any of the reports and answers from the obligatory hearing round among interested stakeholders (unions, particular interest groups etc.) into consideration (Christiansen and Klitgaard 2008). This is all the more remarkable because of the historical tradition for consensus democracy, for inclusion in negotiations and for compromises in important reforms and because the Structural Reform was an all-encompassing reform that dramatically changed the public sector, notably at regional and local level where 14 counties were merged into 5 regions and 275 municipalities became 98 (66 were the result of mergers between two or more municipalities). Traditionally, huge reforms have been anchored in consensus and agreement to make them morally binding in the future.

Similarly, the Liberal-led government under Fogh Rasmussen (2001-2009) and later under Løkke Rasmussen (2009-2011) launched reforms such as the so-called Quality Reform and the reform of the police and the courts without involving the opposition and including interest organizations in the traditional corporatist negotiations. This shift in policy making has been called "block politics" (*blokkpolitik*), i.e. excluding rule by the majority, a policy that the Social Democratic-led government under Helle Thorning Smith (2011-) explicitly wanted to change in favour of broad negotiations across 'the middle' in Danish politics. It also wanted to introduce public reforms to reduce bureaucratic rule and impose more trust-based relations.

Looking at the policy that this government has initiated, there are, despite some inclusion of the opposition, many signs that top down state *besserwissen* is still the reality. First it broke with the tradition of broad negotiations among many interested parties (the so-called tripartite negotiations). Second, when the Ministry of the Interior in 2013 changed the organization of the regional state authorities, the so-called state administrations, they did it overnight, shuffling 700 employees without even including the top executives in talks about the initiative. Third, when the state in 2013 decided to stop a labour dispute in which all school teachers in the country had been locked out by the

local government interest organization, Local Government Denmark (LGDK), it did so to the benefit of LGDK's viewpoint without considering the arguments of the teachers' union.

Furthermore, the Social Democratic-led government seems to have continued the former Liberal government's economic policy to handle the economic crisis, a policy that was created and enforced after the fiscal crisis became apparent in 2008. This economic policy represented a radical shift in the relation between levels of government, announcing budget cuts and severe sanctions for exceeding the budget. This policy is a radical recentralization of economic steering at all three levels of government with historically dramatic results: for the first time in decades, local governments from 2009/2010 and onwards have kept their budgets because they succeeded in enforcing budget thinking onto their own decentralized institutions via their management systems. Since the crisis and the new government policy in 2009, the budget cuts have been substantial both locally and regionally (often 5-10 percent per year), and measures to rationalize the administration and service delivery have been drastic. In a concrete example, 40,000 employees in regional and local government were dismissed between January 2009 and January 2013 (historically, layoffs are unheard of and almost non-existent in the Danish public sector, which has grown constantly in terms of economic spending and number of employees since the 1950s). The layoffs could only be legitimized with reference to the fiscal crisis and the necessity to be 'economically responsible'. In addition, the policy of budget cuts advocated at all three levels of government, implemented from the state government and down and supported by elected politicians at all levels and by e.g. LGDK, has been supplemented by an agenda of innovation.

So traditional rationalization in order to produce more with less – the classic efficiency and effectiveness measures – has been supplemented by the management ideal of 'working smarter not harder' by reinventing and innovating service production in the entire public sector. Innovation and public service motivation is also the message in a public management and administration manifesto authored by 30 Danish researchers in 2011 ([www.forvaltningspolitik.dk](http://www.forvaltningspolitik.dk)). The question is whether the innovation agenda has paved the way for more governance-like measures?

### **THE EVIDENCE: NO SIGNS OF GOVERNANCE YET!**

I have looked in vain for signs of governance in my own research on regions and municipalities. I have studied the 5 regions and the 98 municipalities closely from 2003 until 2012 (Christoffersen and Klausen 1998, 2012) and concluded that it is very difficult to find signs of governance. Krogh and Skøtt also concluded a survey of 137 elected politicians at regional level by saying that the elected politicians in the new regions could not identify with and fill the new politician roles assigned to them by the reform. The institutional setup in the Structural Reform was quite different from the one elected politicians were used to in the old counties. The new politician roles focused less on decision making on administrative issues, especially citizen-oriented cases, and more on general policy making and overall strategic issues. In short, one could argue that the new roles were more policy-oriented and governance-like. As in other studies (e.g. Berg



2000), the politicians rejected the new policy- and governance-oriented roles (Krogh and Skøtt 2007, Mouritzen ed. 2010). Similarly many shrewd observers, whom I have interviewed, have observed that while many regional politicians viewed the ideal of a new political character called the ‘meta-governor’ (one who governs the meta – a phrase coined by Eva Sørensen) positively as advocated by Eva Sørensen and others, it was in fact nowhere to be found. In a comprehensive research project conducted before the reform, Sørensen (2002) looked in vain for politicians at state level, regional/county level and municipal level who actually adhered to and/or seemed capable of practicing meta-governance. Sørensen defines meta-governance as practised though: 1) the creation of institutional frames and structures for networking, 2) the creation of meaning and identity, 3) creating and sustaining networks, and 4) participation in networks.

Yet another initiative might also have paved the way for governance-like initiatives in the Danish public sector: In 2011 a group of more than 30 Danish researchers from the Danish universities gathered to discuss experiences with and consequences of thirty years of public modernization in Denmark that could be called NPM-inspired reforms. A group of four (Lotte Bøgh Andersen, Carsten Greve, Kurt Klaudi Klausen and Jacob Torfing) formed the editorial group. We wanted to use the opportunity to present to the newly elected social democratic-led government a research- and experience-based alternative to the thinking that had prevailed almost uncontested for so many years, hoping they would make it their reform agenda. We believed the time to be right because we offered an interpretation that the newly elected government could make its own. In particular, Margrethe Vestager, the very powerful minister of the interior, had argued strongly and persistently when she was in opposition for a turn in public management reform using a concept of “seeing trust” (as opposed to “blind trust”) to promote a reform that would pave the way for more decentralized authority and autonomy.

The manifesto highlighted the “unforeseen negative effects” of past (NPM-oriented) reforms that had focussed on contracts and documentation, which had reduced trust significantly and increased feelings of demotivation, driving transaction costs and red tape. We recommended measures to reduce meaningless documentation (documentation that does not produce feedback and learning) and improve the vertical and horizontal integration between central and local government (state, regions and municipalities), between politics and administration, between the public sector and civil society and within the administrative system. Many experiences were discussed, and many alternatives formulated. It was not total disrespect for the achievements of the NPM reforms, but it was a strong argument for changing values, relations and measures. Public employees should not (as in public choice theory/NPM) be regarded as one-dimensional opportunity seekers, but rather as trustworthy individuals and collective actors driven by public service motivation. Cooperation rather than competition should be a central lever to ensure efficient service production and innovation. And initiatives to decentralize responsibility and involve employees and citizens more closely in decision making and development of public service production were emphasised as ways to enhance efficiency, innovation and motivation. Throughout the manifesto there was a strong belief in the advantages of involvement and decentralization/autonomy, a belief in people and trust-based relations – we should have and can have confidence in each other – and in

the dynamics from below; in short, a strong belief in the public service motivation and the dynamics of bottom up processes.

The Danish manifesto had much in common with previous attempts by researchers in political science and public management to engage in and inspire public debate and policy making regarding the future development of the public sector, such as the New Public Administration (New PA) of the late 1960s and the Blacksburg manifesto of the 1980s. The New PA, was an attempt to revitalize genuine public sector values, such as democracy and the public good, as opposed to a growing instrumentalistic and economy-oriented thinking throughout the public sector (Marini (ed.), 1971; Waldo (ed.), 1971; Wamsley and Zald, 1973). The so called Blacksburg manifesto (Wamsley, 1990) aimed to promote a revival of some of the same observations coupled with new insights from new institutional theory. But neither initiative had a staying or dominant influence on the public debate about the public sector and public sector reform. The Danish initiative shared this faith. It was destined to fail.

The initiative was praised by the associations of CEOs in local government and by all workers' associations. Some of them made their own version of the manifesto and made it their policy to promote the ideas. However, the ideas never seemed to reach the government and the ministers. The editorial group of four was invited to meet with the top CEOs of the state, the heads of department, the heads of the ministries, the key advisors to the ministers of the government. They all met with us in a one and a half hour meeting. The initial positive attitude however, suddenly changed when the head of the Ministry of Finance signaled that he did not find the initiative appropriate and approvable. After that, all the other heads of department shared this attitude. Also the powerful LGDK reacted negatively to the manifesto. These reactions are best understood when one knows that the Ministry of Finance had a dominant position among the ministries, and that the NPM reforms we were criticizing had been initiated and constantly nourished by this ministry since the early 1980s, and because there was a strong alliance between the ministry and LGDK. So our initiative created some public debate but never went any further. Governance was not a construct grown in the backyard of the Ministry of Finance. Promoting ideals of decentralization and autonomy, it was a potential threat to central power holders, to the state, to government.

### **THE EVIDENCE: REORGANIZATION IN REGIONAL AND LOCAL LEVEL GOVERNMENT**

The strategic behaviour at local and regional level is characteristic of government thinking in the sense that it is deliberate top down hierarchical thinking and action. The study that I conducted together with Christoffersen from 2003 and onwards (Christoffersen and Klausen 2009 and 2012) is a comprehensive study of the regions and the local governments in which we studied one of the five regions and three municipalities in depth with more than a hundred interviews and extensive gathering of other data. Christoffersen conducted the analysis of the developments and incentive structures based on economic theory (he is an economist), and I conducted the analyses of the executive administrative and strategic choices based on organization theory (I am the organization theorist and political scientist). I supplemented this qualitative study with in-depth qual-

itative studies of two additional municipalities that I did myself and added another ten municipality studies through Master's theses tutored by me, and a more quantitatively oriented study of the choices regarding the politico-administrative design models of the 98 municipalities in 2008. On top of that, one of my PhD students conducted in-depth studies of two additional municipalities (Nielsen 2013). All together, this leaves me a fairly accurate picture of what has taken place in the municipalities as a consequence of the Structural Reform.

The regions managed over very few years to invent and reinvent themselves by creatively destructing the old counties and building up the new administrative apparatus to manage mainly psychiatry, health and regional development. In doing so they handled the merger of formerly separate units into new integrated systems of management and service delivery. They managed to decide upon politically difficult and publicly disputed themes, for example which of the old hospitals would be closed down and which would survive, which hospitals should have the emergency function, and which hospitals would become the so called super hospitals of the future. The mergers of the municipalities were similarly professionally managed but had a narrower scope in the sense that they were not invented but only reinvented. What had to be reinvented was the design of the political and administrative apparatus.

The quantitative study showed that shortly after 2007 (the year the Structural Reform was implemented), the municipalities apparently had chosen a combination of different political-administrative models, confirming a picture of diversity in modelling that has been detected previously in studies of Danish local government organization in the 1970s, 1980s and 1990s and 00s (Mouritzen et al. 1993, Ejersbo 1996, 1998, Michelsen, Klausen and Pedersen 2004) (see Table 1).

***Table 1: The total picture of ideal design-models and combined models***

Number of combinations	Ideal type model elements	Frequency	Percent
One	Matrix model	2	2.0
	Decentralized business unit model	17	17.3
	Classical bureaucracy model	17	17.3
Two	Decentralized/matrix	7	7.1
	Decentralized/bureaucracy	29	29.6
	Decentralized/contract	8	8.2
Three	Decentralized/bureaucracy/matrix	6	6.1
	Citizen/contract/decentralized	1	1.0
	Decentralized/matrix/contract	2	2.0
	Decentralized/bureaucratic/contract	4	4.1
Missing		5	5.1
	Total	98	100.0

Source: Christoffersen and Klausen 2012: 80



The ideal-type models used above to detect the chosen designs that the municipalities were more or less close to had been developed by LGDK to aid the municipalities in developing the design that was to be their political and administrative system after the reform. They have the following characteristics:

- the classic bureaucracy model has a hierarchic, divisionalized, formalized and rule-oriented structure and steering mechanisms, and matches a political system that is organized in sector committees where the role of the politicians is in accordance with being “issue- and ombudsmand-oriented”. Top down processes and dynamics are dominant in this model.
- the decentralized business unit model with a small board of directors is characterized by its flat hierarchy and decentralized autonomy to the service institutions that are defined as business units (they have their own economy and indirectly compete with each other), and matched by a new political organization where the power of the sector committees is transferred to the city council, and the politicians should behave in accordance with new roles as more policy-oriented and visionary politicians. Bottom up processes and dynamics are dominant in this model.
- the matrix model is characterized by the ordering principle of the integrated project organization and applies to any political organization. So this model is not matched by a particular ordering principle at the political level.
- the contract model is characterized by the ordering principle of establishing contracts between the politicians and public or private agents. This model could imply that the politicians looked upon themselves as principals (as in the principal-agent theory).
- the citizen-centred model is characterized by an ordering principle that puts the incidents where the citizen needs to get in contact with the municipal system at the centre. The specialists should be there when the citizen arrives (the citizen should not have to go from one public office to another). This model is not matched by a particular ordering principle at the political level.

Only the decentralized business unit model and the contract model explicitly further ideas of decentralization and grant local units autonomy. None of them express ideas of governance in the model as such. However, they may work more or less in accordance with the ideals of NPG. In that sense processes of policy making and innovation may be more or less prone to bottom up dynamics and more or less network oriented, and so processes may be characterized by more or less citizen and stakeholder involvement and innovation processes may be more or less oriented towards cooperation, co-creation and integration. According to my research, however, the way they work does not indicate a strong inclination towards governance; rather, policy making and administrative implementation of policies and strategies are anchored in power and hierarchy.

While Table 1 shows a diverse picture of the preferred design models, Table 2 reduces the variety by focusing on whether or not the chosen models include some elements from the models – preferred combinations of elements (that is why the total adds up to

more than 98 municipalities and more than 100 percent). Then two models seem to dominate: the decentralized business unit model and the classic bureaucracy model.

**Table 2: Simplified overview: number of municipalities with elements from the ideal type models**

	Frequency	Percent
Citizen-centred model	1	1.1
Matrix model	19	19.4
Decentralized business model	74	78.2
Contract model	17	18.1
Classical Bureaucracy model	57	60.6

Source: Christoffersen and Klausen 2012: 81

20-30 years ago, classic bureaucracy was the preferred model in Danish municipalities, the old and proven mega-standard (to use Røvik's metaphors, Røvik 1998), but a new super-standard appears to have been established. Røvik defines an institutionalized mega-standard as global (shared by many organizations worldwide) and as having existed for a long while. An institutionalized super-standard is also global but typically has a shorter existence. A typical mega-standard would be the classic bureaucracy, whereas typical super-standards would be total quality management, business process reengineering (Røvik 1998, 23), and the creation of "business units" within government and public administration. The decentralized business unit model as a local standard was developed in Skanderborg Municipality in the late 1980s and spread to a number of Danish local governments throughout the 1990s (e.g., Varde, Christiansfelt and Birkørød). Still, it came as a surprise to me that it had become the dominant model after the Structural Reform. Apparently close to 80 per cent of the local authorities felt inspired by and built into their design the central vision of this model, which was formulated as follows in 2003 by the newly elected mayor in the municipality of Bornholm: "Central steering and decentralized management", meaning that the politicians should handle steering/political leadership and leave management/administrative leadership to the local managers of the administrative system (much like the ideal of separating rowing from steering as in Osborne and Gabler 1992). The decentralized business unit model was very much in accordance with New Public Management and broke completely with the central ideas of the classic bureaucracy model. The definition of the role of the politicians in this model closely matches the ideas of governance, however. So Christoffersen and I chose to study this model closely in the municipalities of Skanderborg, Bornholm and Faaborg-Midtfyn over a number of years. These three municipalities represented the first, second and third generation of the model.

We found that the model in its pure form only came into being for at relatively short period in Skanderborg, namely from 1992 until 2003, and perhaps in Bornholm from 2003 to 2005. The weak point being that the politicians – even though they had voted and decided on that particular design model – never really accepted, identified with and were capable of taking on their new (more governance-like) politician roles. It never

came into being in Faaborg-Midtfyn, and even if it was the declared and preferred strategic design that the administrative apparatus tried to put into action, we found in all three municipalities that it definitely stopped to work in reality around 2008.

What happened was that the fiscal crisis hit Denmark, and the government issued a policy that severely punished local authorities that exceeded their budgets and the economic agreement between the municipalities and the state.

2009 marked a historical turn that broke with the actual budget practices of past decades, and this was done through centralizations, enhancing leadership hierarchies and by building in strong budget incentives not only in state-local government relations but also between the political and administrative centres of the local authorities and their institutions. In this way the actual and psychological contract of the decentralized business unit model was abandoned and dynamics from below blown to pieces.

The strategic redesign endeavours of these local authorities were characterized by authoritative decision making from the top down, and they all pointed in one direction, namely towards a new super-standard that we could name the corporation (an old mega-standard in private firms). We have witnessed a similar process throughout the country in many other municipalities that had chosen the decentralized business model. Municipalities such as Hillerød and Holbæk changed their design towards the explicit idea of the corporation. In the first years of this decennium the idea of the corporation is seen in the strategic designs of almost all local governments whether large such as Odense or midsized such as Slagelse. Even municipalities known for being close to the classic bureaucratic model, such as Gladsaxe, included central elements of corporate thinking in their managerial design. So there was a convergence of the two dominant models, the classic and the new, into one: the corporation.

The strategic design of the municipality as the corporation is characterized by a small board of directors with power to execute through an integrated leadership and management hierarchy stressing unity and coordination between sectors and decentralized units and by corporate policies, corporate strategies, corporate culture, corporate IT and corporate communication. The matching role of the politicians to this design is the board in a private firm (a huge challenge to deal with for Danish municipalities in the years to come).

This amounts to a characteristic change in the strategic designs through which local authorities have tried to gain and regain strategic (design) fit. I have identified three marked waves of redesign in the amalgamated municipalities. The first was the negotiated result of the merger processes that took place from 2004 to 2007. They had a number of built-in compromises which did not allow closing down institutions or layoffs. This had to be done in the second redesign wave that started in 2008/2009 and was overlapped by the third wave starting around 2009/2010, which – in the light of the fiscal crisis – bears the mark of a search for effectiveness, efficiency and radical welfare innovation.

The concept of the corporation has been used by state agencies both in spelling and as an ideal since 1986 and in the regions since 2007, but has only recently become widespread in the municipalities – the wording/the concept of corporation was considered

too business like. The ideal of the integrated management system in the municipalities can be traced back to the second half of the 1990s (Klausen 2010). From the second redesign wave, the ideal of the corporation is becoming the dominant strategic design of the municipalities. It bears the signs of the hierarchy, but is more executive, more integrated/coordinated and more flexible than the classic bureaucracy. With its execution powers, the corporation is primarily a top down-driven organization, but many municipalities (like Slagelse) try to build in elements of the decentralized business unit model via contracts that force decentralized strategies in each unit to match corporate strategies.

While the corporation seems to be the new super-standard, the hierarchy and its bureaucracy seem to be the meta-standard at the backbone of this model also, because the processes of change are accompanied by recentralization, and because the corporation needs the managerial hierarchy to implement its strategies and an effective bureaucracy to carry out and monitor the process in an orderly way to pave the way for learning processes and efficiency gains. Strategic management is thus supplemented by performance management.

### **GETTING MORE FROM LESS THROUGH RECENTRALIZATION, REORGANIZATION AND INNOVATION**

The financial crisis has made central authorities highly aware of budgets and of ways to enhance efficiency and effectiveness. We have generally witnessed three main tendencies in Denmark, two of which I have already addressed: recentralization both in state-local government relations and in local government, strategic reorganization to gain (design) fit. The third is innovation.

Throughout the public sector there has been a growing awareness that the so-called welfare squeeze can only be met by focussing on innovation. The welfare squeeze is a result of two contradicting tendencies: (1) a narrowing of the public finances and a prediction that budgets will not grow for a foreseeable future and (2) growing needs for public services caused by increased expectations about the quality and quantity of public services (e.g. demographic tendencies, better diagnoses, costlier medicine and welfare technologies). In the first years when public agencies were starting to address the welfare squeeze, it was also predicted that there would be fewer employees available. Such a situation calls for the public sector to produce more with less, hence the phrase “getting more from less”. More welfare services from fewer human and economic resources, and since rationalization efforts had already been made and forcing employees to work harder is likely to produce demotivation, the solution seemed to be “to work smarter – not harder”, that is, to encourage innovation.

Consequently, state commissions and policies have tried to promote the innovation imperative as have LGDK and local authorities (an example is the so-called Innovation Council with participants from the public and the private sector). Numerous projects

**Kurt Klaudi Klausen** is Professor at the Department of Political Science and Public Management at University of Southern Denmark, Odense, Denmark. E-mail: [kkk@sam.sdu.dk](mailto:kkk@sam.sdu.dk)

have been launched and many reports and books have been written about public service innovation over the past few years (e.g. Jensen et al. eds. 2008). Ambitious innovation projects have produced both hope and results in local government. Among the latest is a comprehensive strategic effort by Odense Municipality (Ringkjær 2014, Mandag Morgen 2013), and Fredericia Municipality was among the first (Klausen 2013).

In 2008, the city council in Fredericia decided to make it its policy to support an innovation strategy that had been developed by the board of directors. Over the next years, the effort was to fundamentally challenge basic assumptions about public service provision, and the politicians gave the board of directors free rein to implement the initiative. A successful example of radical welfare innovation is the idea of empowering the elderly to take care of themselves instead of being dependent on public services. The idea was to invest in enhancing the competences of the elderly through home help training, so they could stay in charge of their own lives. The role of the municipality was to assist the elderly in obtaining competences that would diminish the use of traditional compensatory initiatives. Another element was systematic re-evaluation in the visitation of public services, to ascertain whether the elderly still needed the help that had been allocated to them in the first place. Instead of seeing the situation of the elderly as static and deteriorating, it might as well be improving.

The vision turned around basic assumptions related to both welfare and the elderly, i.e., that the elderly prefer to master their own lives as long as possible, that the welfare state does not have sole responsibility for taking care of citizens in need, and that age is not necessarily marked by weakness and limited resources. It is probably difficult for non-Scandinavians to understand that this is a radical welfare innovation in the heart of public welfare services because it seems like political rhetoric. But this innovation really meant a positive difference to the elderly, to municipality's employees and to its economy. It was estimated that the initiative had saved the municipality around DKK 120 million in 2012. A small investment in developing the elderly had more than paid off. This welfare innovation spread as a recipe to many other Danish municipalities over a very short period. It also became the role model for reforming the elderly sector in Norway.

The initiatives in Fredericia and Odense were top down decisions made by the board of directors, confirmed by the elected politicians and handled in a closely guided process. They cannot be interpreted along the lines of governance-like, bottom up initiatives and co-creation. This does not mean that there are no examples of cooperative innovation (see e.g. Aagaard, Sørensen and Torfing eds. 2014); I am simply emphasizing that these endeavours are closely managed and monitored from the top down.

The overall picture is one of government rather than governance. Power prevails. When it comes to the big issues of reforming the public sector and reacting strategically in the light of fiscal crises there is strong evidence that both the state and local authorities re-centralize, reorganize, innovate and enforce budget control, detailed regulation and close performance monitoring. Nowhere do we find politicians who identify with the ideal of governance, and the initiative by the Danish researchers to start a public debate that would pave the way for more trust-based, decentralized and network-oriented pub-



lic sector reforms was destined to fail because it might cause central power holders to lose control.

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